
AGENCY RESPONSE

Appendix 2

- **Office of the Superintendent of Public Instruction Response to Preliminary Report**
- **Office of Financial Management Response to Preliminary Report**
- **Auditor's Comments**



SUPERINTENDENT OF PUBLIC INSTRUCTION

DR. TERRY BERGESON

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August 10, 1999

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AUG 12 1999

JLARC

Thomas M. Sykes
Legislative Auditor
Joint Legislative Audit and Review Committee
PO Box 40910
Olympia, Washington 98504-0910

Dear Mr. Sykes:

Thank you for the opportunity to respond to the K-12 Finance and Performance Study preliminary report. Please extend our appreciation to Ron Perry, Peter Bylsma, and Larry Brubaker for the professional manner in which this study was conducted. They sought understanding of the system, communicated with the appropriate people, drew general conclusions from a large amount of detailed information, and gave you and us a well written report.

The report presents valuable K-12 finance information and in several instances confirms the wisdom of recent legislative K-12 policy decisions. For example, last session the Legislature added three learning improvement days to certificated staff base contracts, and stayed the course with education reform. Although we think the report is very good and provides valuable insights into the current K-12 finance system, there are concerns that will be expressed on pages 2 through 4. The following represents the agency's response to each of the two recommendations.

Agency Response to Recommendations:

<u>Recommendation</u>	<u>Agency Position</u>	<u>Comments</u>
Recommendation 1—Consistent with state laws for education reform and accountability, we recommend the state collect enrollment data at the school building level for bilingual, special education, and highly capable students.	Concur	The agency agrees with this recommendation. In the context of school accountability and education reform, collecting this data is essential and it will be a good first step. In fact, the legislature should consider going further with this recommendation. In May of this year, OSPI held a symposium with 200 school district assessment, curriculum, and technical staff. The purpose of the symposium was to determine what is needed to assist teachers and school districts with education reform and accountability.

<u>Recommendation</u>	<u>Agency Position</u>	<u>Comments</u>
		The school district answer was clear. They asked the state to help develop a student records system that allows parents, a child's teacher and school district to follow the progress of a child from the time he or she enters school until he or she leaves." Such a system would require student identifiers with appropriate security and would allow teachers and districts to help students no matter which school the student attended within the state.
Recommendation 2—While having school-level expenditure data may serve useful purposes, the state does not need to start collecting this data because existing school-level data can be used to estimate these expenditures.	Concur	The agency intends to continue collecting detailed staffing data at the building level.

**Other Comments Regarding the JLARC K-12 Funding and Performance Study
Preliminary Report:**

Conclusion 1—Washington's system of funding school districts is equitable, as is the distribution of resources by districts to individual schools. While districts and schools have different levels of funding, they tend to spend their money in the same way. For example, staff compensation represents 82 percent of spending in all districts regardless of their size or spending level.

Comment—The report deals with equity but not adequacy of funding. It deals with what is and not what is needed to provide adequate resources to the education system. The charge to the staff was to look at "what is" and they did a commendable job. However, it is time to review the funding system for adequacy. Technology and education reform and accountability provide the Superintendent, Governor, and Legislature with an ideal opportunity to take the next step and review the K-12 finance system for adequacy.

Conclusion 2—The level of teacher education and experience is lower in small districts and schools and those having higher percentages of students with special needs. However, student-teacher ratios are lower (i.e. classes are smaller) in these districts. Nevertheless, Washington's student-teacher ratio is one of the highest nationwide (i.e., classes are among the largest). This is due to higher than average staff compensation costs and per pupil expenditures that are above the national average.

Comment—The analysis demonstrates that there are differences in teacher education and experience between small and large districts, but the differences are small. This is because the legislature provides the same level of funding for certificated staff with the same education and experience statewide. It is a result of the equitable system Washington has developed.

This conclusion should probably be more than one conclusion. There might be three conclusions here. A first conclusion dealing with the level of teacher education and experience in small districts and those districts with higher percentages of students with special needs, a second conclusion about Washington's student-teacher ratio, and a third conclusion regarding staff compensation costs and per pupil expenditures.

The conclusion that Washington compensation is well above the national average is based on JLARC's own analysis of 1995-96 data from the National Center for Education Statistics (NCES). JLARC combined staff categories in order to conduct this analysis (e.g. compensation for administrators, instructional staff, and classified staff). The conclusion is at odds with state salary rankings produced by the National Education Association (NEA). While the NEA data is produced by an employee group, the data has been standardized after many years of refinement and education to states about how to report data in a consistent manner.

In contrast, the NCES data does not seem to be comparable. An informal OSPI survey of states reporting to NCES raises concerns about the comparability of state data used by JLARC. OSPI's survey found that states count classified full-time equivalent (FTE) staff differently:

- Washington counts 2080 hours per year (8 hours per day for 260 days) as 1.0 FTE. (An instructional aide teaching 6 hours per day for 180 days is 0.52 FTE.)
- Texas counts one FTE for an employee who works 185 days with no regard to hours.
- Arizona, New Hampshire, Mississippi, Iowa, and Kansas report FTEs based on the length of the work day without regard to number of days. Some of these states consider 8 hours a full FTE; others consider 6 1/2 hours to be a full FTE.
- North Carolina, Missouri, and Indiana let local school districts decide how to count FTEs.

How do different methodologies for counting classified FTEs affect compensation? Numerous effects are possible, but to put it simply, these states' methodologies equate to fewer hours per FTE, and thus more classified FTE than Washington. Therefore, Washington's average compensation would be higher. If the method of calculating compensation for each state is not comparable, then the results are not comparable.

The JLARC staff used the best data they had available for their national comparison—1995-96. Unfortunately that data is quite old; so much has changed since 1995-96. I do not think we can conclude that Washington compensation is 16% above the national average without knowing how other state salaries have grown.

Other concerns with the NCES data include:

- Differences in how states fund retirement systems (some states may be under-funding the true value of employee benefits); and
- Failure to factor in regional cost of living differences, the education and experience levels of staff, and the mix of professional and non-professional employees in the state.

Conclusion 3—External forces beyond the control of educators, such as family income and parent education, have more influence on student performance than education-related factors. Improving teacher quality may improve student performance more, and be more cost-effective, than reducing the student-teacher ratio. Reorganizing the use of school time and resources may also be a cost-effective means of improving student performance.

Comments—While external forces do have the most significant impact on children, it is extremely important to not lose sight of the importance of a well-trained teacher in the education of a child. Educators do make a difference and play an extremely important role in the education process, especially in the life of at risk students. Washington's approach to providing more individual attention to students has been to target class size reductions in the primary grades. These reductions have made significant differences for students and teachers. We are learning through the Reading Corps evaluation that the individual attention paid by teachers in small classrooms does make a difference, even for disadvantaged children and children well below reading levels. The three learning improvement days given to classroom teachers next biennium will also assist them become more capable of helping all children to learn.

Conclusion 4—Districts report considerable information related to their district and school operations to the state, although they are not required to report data on expenditures or certain student groups at individual schools. Collecting school expenditure data would be difficult and may not be very useful. However, collecting data on certain student groups that most districts already maintain would facilitate analyses of schools that share similar student populations as well as support education reform and accountability efforts.

Comment—As mentioned in the letter, OSPI will continue to collect staffing data at the school level. Requiring districts to report other spending at the school building level would be very expensive for the state and many districts. The benefits of this expense do not seem to warrant the expenditure at this time.

However, developing a common system of reporting all student data at the building level would be extremely beneficial to parents, teachers, districts, and state. Accountability and education reform efforts require a records system that allows assessment of student progress from beginning to end and wherever they are in the state. Such a system can be developed with proper security at all levels, but will require a student identifier while he or she attends schools in the state.

Thank you again for the opportunity to comment. I look forward to continuing our joint efforts to enhance student learning and achievement in the state's school system.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Bergeson". The signature is fluid and cursive, with the first name "Terry" and last name "Bergeson" clearly distinguishable.

Dr. Terry Bergeson
State Superintendent
of Public Instruction

TB:lh



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AUG 17 1999

JLARC

Thomas M. Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee
Post Office Box 40910
Olympia, Washington 98504-0910

Dear Mr. Sykes: *Tom*

Thank you for the opportunity to respond to the preliminary report of K-12 Finance and Performance Study. We believe the study successfully fulfills the mandate provided to the Joint Legislative Audit and Review Committee in 1998 Supplemental Appropriations Act. We concur with its recommendations:

RECOMMENDATION	AGENCY POSITION	COMMENTS
Recommendation 1	Concur	
Recommendation 2	Concur	

As you know, the complete range of issues surrounding financing of K-12 education is very broad--certainly beyond the scope of the study mandate. Though there remain aspects of K-12 policy and finance that are not covered in the preliminary report, we believe the report and its technical appendixes provide valuable information on K-12 finance in Washington. Please extend my compliments to your staff on a job well done.

Sincerely,

Dick Thompson
Dick Thompson
Director

DT:JC:dh



AUDITOR'S COMMENTS

We are pleased that both the Office of Superintendent of Public Instruction (OSPI) and Office of Financial Management concur with the two recommendations and that they found the information useful. The following comments respond to the additional comments OSPI made about the preliminary report.

- An analysis of the adequacy of funding was beyond the scope of the study mandate. Nevertheless, the need for such an analysis in the future was voiced by various stakeholders in light of the new student learning standards and accountability system. Stakeholders have expressed a desire to use results from the Washington Assessment of Student Learning (WASL) in future analyses of resources available to students performing below the new state standards.
- Staff compensation rankings that use data from the National Center for Education Statistics (NCES) and National Education Association (NEA) are not comparable because the rankings measure different costs. The rankings we presented relied on data from NCES because it provides a more complete set of staff-related costs.

It is important to recognize that NEA's rankings typically use base salaries for teachers but exclude the additional compensation staff receive for extra work (e.g., supplemental contracts), compensation for classified staff, and the cost of staff benefits. Extra duty pay and benefits alone represent about 31 percent of total staff compensation in Washington. By leaving out these costs, it is difficult to determine the total costs of the education system. We found that the total cost can affect a state's national ranking on the student-teacher ratio measure (see Chapter 3). The NCES data we used measures the total cost by including all compensation, regardless of type, for all staff, including classified staff.

OSPI implies that NEA data should be used to make national comparisons because NCES data contains reporting inconsistencies. We examined both NEA and NCES data and contacted officials at both agencies to investigate the possibility that states count and report various types of staff differently, which could distort the national rankings. We also contacted 10 states to better understand their reporting practices to NCES. We found that both NEA and NCES data contained some inconsistencies due to different reporting practices by a few states.⁹⁷ Based on our review of the NCES data and the types of

⁹⁷ OSPI noted that NEA data have been standardized after many years of refinement and education to states about how to report data in a consistent manner. NCES also provides detailed instructions and definitions to states about what data to provide and provides training to state officials on how to

reporting inconsistencies by states, we believe the effect of any inconsistencies would not change the overall results of our analysis or rankings.

Cross-state comparisons and national rankings will always be somewhat imprecise and outdated, and they generally do not adjust for differences in educational costs among states.⁹⁸ This makes it imperative to use the rankings as a general guide and to conduct analyses using the most complete set of standardized data. This is why we used NCES data for our comparisons.

provide the data in a consistent manner. Thus, the NCES data have also been standardized after many years of refinement. Nevertheless, some reporting inconsistencies do occur that are reflected in both NEA and NCES data because the same state education agencies are the source of both data.

⁹⁸ Washington has a higher cost of living than the national average, which affects the relative level of staff compensation costs and expenditures per pupil. When adjusting the 1995-96 NCES data for differences in education costs among the 50 states, total staff compensation costs in Washington were about 9 percent above the national average and ranked 17th, while total expenditures per pupil in Washington were about 7 percent below the national average and ranked 32nd.